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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 1, 1999

APPLICATION OF

VIRGINIA-AMERICAN WATER COMPANY

CASE NO. PUE970523

For a General Increase in Rates

ORDER GRANTING MOTION TO INITIATE REFUNDS

On December 22, 1998, the Commission issued an order ("December Order") in which a final determination was made with respect to all issues except affiliate expense. In that Order, the Commission remanded the proceeding to the Hearing Examiner to allow the Company to present evidence as to the reasonableness of affiliate expense. On January 19, 1999, Virginia-American Water Company ("Virginia-American" or the "Company"), by counsel, filed a motion requesting the Commission to allow it to begin to refund, with appropriate interest, those amounts of its revenues collected pursuant to interim rates ordered into effect on November 3, 1997, that were in excess of revenues found appropriate by the Commission in its December Order plus the affiliate expense recommended by the Hearing Examiner that are subject to the remand.

The Company recognized that a further refund may be required if its affiliate expense is disallowed, in whole or in

part, as a result of the remand proceeding. The Company stated that, if its motion were granted, it could substantially complete such refunds within 150 days of the date of the order authorizing such refunds.

The Company noted that, without further action, remanding the proceeding would entail additional time until a final order is issued and cause Virginia-American customers to pay annual rates at the higher interim level. The Company also stated its belief that it is appropriate to begin such refunds now even though the possibility exists that revenues may be reduced further as a result of the remand proceeding.

NOW THE COMMISSION, having considered the matter, is of the opinion that Virginia-American's request is reasonable and should be granted. Accordingly,

IT IS ORDERED THAT:

(1) Virginia-American's motion to initiate refunds be, and hereby is, granted.

(2) On or before July 1, 1999, Virginia-American shall refund, with interest as directed below, all revenues collected from the application of the interim rates which were effective for service beginning November 3, 1997, to the extent that such revenues exceeded the revenues found appropriate in our December Order plus the affiliate expense recommended by the Examiner.

(3) Interest upon the ordered refunds shall be computed from the date payment of each monthly bill was due during the period the interim rates were in effect and subject to refund until the date the refunds are made, at an average prime rate for each calendar quarter. The applicable average prime rate shall be the arithmetic mean, to the nearest one-hundredth of one percent, of the prime rate values published in the Federal Reserve Bulletin, or in the Federal Reserve's "Selected Interest Rates" (Statistical Release G.13), for the three months of the preceding calendar quarter.

(4) Interest required to be paid shall be compounded quarterly.

(5) Refunds ordered herein may be made by credit to the appropriate customer's account for current customers. Refunds to former customers shall be made by check to the last known address of such customers when the amount due exceeds \$1.00. Virginia-American may retain refunds owed that do not exceed \$1.00, provided that the Company maintains a list detailing each of the former accounts for which such refund is owed, and in the event that such former customers request refunds, same shall be promptly made.

(6) On or before September 1, 1999, Virginia-American shall submit to the Divisions of Energy Regulation and Public Utility Accounting a report showing that all refunds have been

lawfully made pursuant to this order and itemizing all costs of the refund. The itemization of costs shall include, inter alia, computer costs, man-hours, associated salaries, costs for verifying and correcting the refund methodology, and the costs associated with any computer programming required to make the refunds.

(7) The Company shall bear all costs of the refund.

(8) This matter shall be continued until further order of the Commission.